Ezinqoleni Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Municipality(MFMA)
Municipal demarcation code	KZN 215
Executive mayor	Cllr M.A. Mpisi
Speaker	Cllr M.A. Mpisi
Chief whip	Cllr M.A. Mpisi
Councillors	Cllr M.P. Cele Cllr T.M. Cele Cllr S.A. Khawula Cllr S.E. Khawula Cllr H.P. Mbatha Cllr P.H. Mthiyane Cllr B.C. Mzobe Cllr S.A. Ngcece Cllr B.O. Ngcobo Cllr B.D. Nyawose
Grading of local authority	Grade 5
Accounting Officer	Mr M. N. Mabece
Chief Finance Officer (CFO)	Mr B. Cele
Registered office	Municipal Offices N2 Main Harding Road Opposite Izingolweni Taxi Rank Izingolweni 4260
Business address	N2 Main Harding Road Nkulu Ward 6 Opposite Izingolweni Taxi Rank Izingolweni 4260
Postal address	P. O. Box 108 Izingolweni 4260
Bankers	First National Bank Port Shepstone
Auditors	Auditor General

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Municipal Manager's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 124(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note16 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr M.N. Mabece
Accounting Officer

Ezinqoleni Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures (in Rands)	Note(s)	2015	2014
Assets			
Current Assets			
Cash and cash equivalents	7	40 974 123	36 624 176
Vat receivable	6	1 550 741	335 515
Receivables from exchange transactions	5	172 982	169 159
Receivables from non-exchange transactions	4	2 715 911	1 397 902
		45 413 757	**38 526 752**
Non Current Assets			
Property, plant and equipment	2	85 048 989	77 386 559
Intangible assets	3	324 971	131 520
		85 373 960	**77 518 079**
Total Assets		**130 787 717**	**116 044 831**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	2 156 284	2 872 917
Government grants and subsidies	12	1 865 691	1 814 347
		4 021 975	**4 687 264**
Non Current Liabilities			
Post employment medical liability	9	1 586 000	1 040 000
Employee benefit obligation	8	571 000	457 000
		2 157 000	**1 497 000**
Total Liabilities		**6 178 975**	**6 184 264**
Net Assets		**124 608 742**	**109 860 567**
Reserves			
Accumulated surplus		124 608 742	109 860 567
Total Net Assets		**124 608 742**	**109 860 567**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		5 028	5 394
Other income	14	484 648	317 921
Interest		2 583 861	1 860 281
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	13	2 157 245	2 637 701
Donations received		3 008	71 952
Transfer revenue			
Government grants and subsidies	12	53 380 478	48 860 272
Fines		-	200
Total Revenue		**58 614 268**	**53 753 721**
Other income			
Gain on fair valuing of assets		45 693	-
Actuarial gain (loss)		(275 000)	319 000
Insurance claim		108 706	-
		(120 601)	**319 000**
Expenditure			
Advertising		154 882	98 316
Audit fees	15	825 663	1 088 697
Bank charges		55 042	47 426
Bursary		88 267	66 730
Cleaning		192 874	157 700
Councillors' remuneration	16	3 293 063	3 010 296
Depreciation, amortisation and impairments	2, 3	10 430 202	9 753 805
Electricity and water		188 938	237 091
Employee costs	17	12 674 532	11 544 430
FMG Grant		1 521 020	1 401 803
Grant expenditure		1 771 370	1 064 814
Grant in Aid		574 692	462 396
Insurance		317 617	172 778
Interest paid		-	837
Lease rentals on operating lease		39 394	38 748
Legal expenses		104 720	-
Other expenses	19	4 223 216	3 015 651
Postage		977	480
Printing and stationery		94 604	109 135
Protective and safety clothing		90 066	39 846
Refreshments and year end function		111 135	45 344
Rent		10 374	4 000
Repairs and maintenance		635 679	727 058
Security		572 536	249 078
Seminars and workshops		1 199 212	659 803
Special programmes		2 074 405	1 787 435
Subscriptions		563 693	592 792
Sundry expenses	20	719 601	315 170
Telephone and fax		454 332	434 827
Training		29 000	95 725
Transport costs		522 785	504 504
Waste management		636 156	393 813
Total expenditure		**44 170 047**	**38 120 528**
Surplus for the year		**14 323 620**	**15 952 193**

Statement of Comparison of Budget and Actual Amounts
Budget on Cash Basis

Description	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference See Note 28 Reconcilation of Actual amounts
Statement of Financial Performance						Note 29
Revenue						
Revenue from exchange transactions						
Rental of Facilities	15 000	(5 000)	10 000	5 028	(4 972)	
Investment revenue	1 702 000	489 000	2 191 000	2 218 889	27 889	
Investment on outstanding Debtors	55 000	270 000	325 000	364 972	-	
Other own revenue	300 000	65 000	365 000	484 648	-	
Total revenue from exchange transactions	**2 072 000**	**819 000**	**2 891 000**	**3 073 537**	**142 565**	
Revenue from non exchange transactions						
Taxation						
Property rates	3 100 000	(943 000)	2 157 000	2 157 245	245	
Transfer revenue						
Transfers recognised - operational	39 097 000	167 000	39 264 000	34 499 000	(4 765 000)	
Transfers recognised - capital	13 987 000	1 000 000	14 987 000	18 881 477	3 894 477	
Donations	-	-	-	3 008	-	
Total revenue from non exchange transactions	**56 184 000**	**224 000**	**56 408 000**	**55 540 730**	**(870 278)**	
Total Revenue	**58 256 000**	**1 043 000**	**59 299 000**	**58 614 267**	**(727 713)**	
Expenditure						
Employee costs	13 435 000	205 000	13 640 000	12 674 533	965 467	
Remuneration of councillors	3 176 000	280 000	3 456 000	3 293 063	162 937	
Debt impairment	150 000	-	150 000	-	150 000	
Depreciation and asset impairment	9 900 000	-	9 900 000	10 430 202	(530 202)	
Finance charges	50 000	-	50 000	-	50 000	
Transfers and grants	775 000	25 000	800 000	574 692	225 308	
Other expenditure	17 275 000	2 660 000	19 935 000	17 197 556	2 737 444	
Total Expenditure	**44 761 000**	**(1 056 000)**	**47 931 000**	**44 170 046**	**3 760 954**	
Surplus/(Deficit)	**13 495 000**	**2 099 000**	**11 368 000**	**14 444 222**	**(4 488 667)**	

See note 29 for a Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

Statement of Changes in Net Assets

Figures in Rand	Retained income	Total net assets
Balance at 1 July 2012 (as previously reported)	**93 908 374**	**93 908 374**
Changes in net assets		
Surplus for the year	15 952 193	15 952 193
Balance at 1 July 2014	**109 860 567**	**109 860 567**
Changes in net assets		
Surplus for the year	14 323 620	14 323 620
Prior year adjustments (note 28)	424 555	424 555
Total changes	14 748 175	14 748 175
Balance at 30 June 2015	**124 608 742**	**124 608 742**

Note(s)

Statement Of Cash Flows

Figures in Rand	Note(s)	2015	2014 Restated
Cash flows from operating activities			
Cash receipts from customers		57 292 436	47 264 197
Cash paid to suppliers and employees		(37 773 341)	(25 507 757)
Cash generated from operations	21	19 519 095	21 756 440
Interest income		2 583 861	1 860 281
Interest paid		2	(837)
Net cash from operating activities		**22 102 958**	**23 615 884**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(18 133 433)	(15 255 784)
Sale of property, plant and equipment	2	102 388	482 908
Purchase of intangible assets	3	(267 966)	(63 175)
Net cash from investing activities		**(18 299 011)**	**(14 836 051)**
Cash flows from financing activities			
Movement in post employment medical liability		546 000	9 000
Finance lease payments		-	(26 938)
Net cash from financing activities		**546 000**	**(17 938)**
Total cash movement for the year		**4 349 947**	**8 761 895**
Cash at the beginning of the year		36 624 176	27 862 281
Total cash at end of the year	7	**40 974 123**	**36 624 176**

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. The figures in the statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are set out below.

The following standards and interpretations issued, but not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers

None of these standards and interpretations are anticipated to have a material impact on the entity's financial statements.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments at end of the reporting period.The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

Provisions

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property ,plant and equipment

The economic entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

1.2 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.3 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.4 Property, plant and equipment

Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	**Average useful life**
Buildings	30 years
Infrastructure - Roads	10 years
Machinery and equipment	5 years
Motor vehicles	5 years
Furniture and office equipment	5 years
Computer equipment	5 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

Accounting Policies

1.5 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.6 Intangible assets (continued)

If the municipality is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Accounting Policies

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties i

A financial asset is:
- cash
- a residual interest of another entity, or
- a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions which are potentially favourable to the entity

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives
- combined instruments that are designated at fair value
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade receivables from exchange transactions	Financial asset measured at fair value
Trade receivables from non-exchange transactions	Financial asset measured at fair value
Bank ,cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at fair value
Current portion of long-term receivables	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Accounting Policies

Class	**Category**
Trade payables from exchange transactions	Financial liability measured at amortised cost
Trade payables from non-exchange transactions	Financial liability measured at amortised cost
Retentions	Financial liability measured at amortised cost
Accrued leave pay	Financial liability measured at amortised cost
Accrual for staff bonus	Financial liability measured at amortised cost
Government grants and subsidies	Financial liability measured at amortised cost

Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost
- Financial instruments at cost.*

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Accounting Policies

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
- ▪ derecognise the asset; and
- ▪ recognise separately any rights and obligations created or retained in the transfer

Accounting Policies

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.9 Impairment of assets

The municipality assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests goodwill, with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.10 Employee benefits

Short-term employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.10 Employee benefits (continued)

Post employment benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation

P*ost-employment benefits: Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

Accounting Policies

1.10 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.10 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.11 Provisions

Provisions are recognised when:
- the municipality has an obligation at the reporting period date as a result of a past event;
- it is probable that the municipality will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingencies are disclosed in notes 23 and 24. .

1.12 Government grants

Government grants are recognised when there is reasonable assurance that:
- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Value Added Tax

The municipality accounts for value added tax on the payments basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No. 89 of 1991).

Accounting Policies

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year's figures.

1.19 Commitments

The amounts of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note.

1.20 Change in accounting policy,estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets,liabilities and net assets for the earliest period for which retrospective application is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulativeeffect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is practicable

1.21 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

1.22 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2014 to 30 June 2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure as defined in chapter 1 of the Municipal Finance Management Act (Act No 56 of 2003) in relation to a municipality or municipal entity -

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, the requirement of this Act, and which has not been condoned in terms of section 170
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act (Act No.32 of 2000)
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act (Act No. 20 of 1998)
- Expenditure incurred in contravention of, or that is not in accordance, a requirement of the Supply Chain Management Policy or any Municipal By-Laws giving effect to such policy, and which has not been condoned in terms of such policy or By-law, but excludes expenditure which falls within the definition of unauthorised expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

Accounting Policies

2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Leasehold buildings	53 384 113	(13 860 170)	39 523 943	50 353 274	(10 378 833)	39 974 441
Infrastructure - Roads	73 226 799	(33 706 744)	39 520 055	62 585 775	(27 681 360)	34 904 415
Machinery and equipment	5 212 185	(1 723 618)	3 488 567	2 102 716	(1 554 375)	548 341
Motor vehicles	2 180 806	(947 049)	1 233 757	1 762 960	(1 097 896)	665 064
Furniture and office equipment	1 982 176	(1 394 996)	587 180	1 913 710	(1 166 818)	746 892
Computer equipment	1 510 232	(814 745)	695 487	1 177 177	(629 771)	547 406
Total	**137 496 311**	**(52 447 322)**	**85 048 989**	**119 895 612**	**(42 509 053)**	**77 386 559**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold buildings	39 974 441	3 030 839	-	(3 481 337)	39 523 943
Infrastructure - Roads	34 904 415	10 725 470	(14 818)	(6 095 012)	39 520 055
Machinery and equipment	548 341	3 110 669	(39)	(170 404)	3 488 567
Motor vehicles	665 064	853 644	(80 536)	(204 415)	1 233 757
Furniture and office equipment	746 892	68 506	(2)	(228 216)	587 180
Computer equipment	547 406	344 305	(6 993)	(189 231)	695 487
	77 386 559	**18 133 433**	**(102 388)**	**(10 368 615)**	**85 048 989**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold buildings	39 481 018	3 022 925	-	(2 529 502)	39 974 441
Infrastructure - Roads	29 636 396	11 235 242	(332 456)	(5 634 767)	34 904 415
Machinery and equipment	582 924	151 113	(1 729)	(183 967)	548 341
Motor vehicles	448 641	353 089	-	(136 666)	665 064
Furniture and office equipment	933 142	186 910	(139 726)	(233 434)	746 892
Computer equipment	381 440	306 505	(8 997)	(131 542)	547 406
	71 463 561	**15 255 784**	**(482 908)**	**(8 849 878)**	**77 386 559**

See Annexure B for more information.

No asset or any portion of any assets was provided to any person or institution as security.

Community halls to the value of R11.9 million have been included in the buildings disclosure above, the lease agreement for the use of the land on which the buildings are housed is pending final approval from the Ingonyama Trust Board.

3. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	855 157	(530 186)	324 971	587 191	(455 671)	131 520

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	131 520	267 966	(74 515)	324 971

Figures in Rand	2015	2014

3. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	120 275	63 175	(51 930)	131 520

See Annexure B for more information.

During the period under review the remaining useful lives of Intangible assets were reviewed and it was found that these assets would fully depreciate within the next 11 to 23 months after year end. It was determined that these assets will still be utilized for at least the next 24 months, as a result the remaining useful lives were adjusted with between 1 and 13 months. This revision has resulted in a reduction in the current year amortization of R30 411 and will reduce the amortization for the following two financial years with R60 823

4. Receivables from non-exchange transactions

	2015	2014
Rates	3 408 050	2 090 041
Less: Provision for bad debts	(692 139)	(692 139)
	2 715 911	**1 397 902**

	2015	2014
Ageing		
Current (0 – 30 days)	169 490	233 546
31 - 60 days	167 905	192 170
61 - 90 days	159 187	150 903
91 - 120 days	119 041	129 145
Greater than 120 days	2 792 427	1 384 277
	3 408 050	**2 090 041**

5. Receivables from exchange transactions

	2015	2014
Sundry debtors	114 750	114 865
Accrued income	96 520	92 582
	211 270	207 447
Provision for bad debts	(38 288)	(38 288)
	172 982	**169 159**

6. Vat receivable

	2015	2014
Vat	1 550 741	335 515

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	1 000	1 000
Bank balances	15 249 782	29 109 530
Short-term deposits	25 723 341	7 513 646
	40 974 123	**36 624 176**

	2015	2014
Primary Account		
First National Bank Account - Port Shepstone Branch		
Account Number 62024943153 : Current account		
Bank statement balance at the beginning of the year	29 109 530	24 123 622

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
7. Cash and cash equivalents (continued)		
Bank statement balance at the end of the year	15 249 782	29 109 530
Cashbook balance at the beginning of the year	29 109 530	24 123 622
Cashbook balance at the end of the year	15 249 782	29 109 530

Figures in Rand	2015	2014

7. Cash and cash equivalents (continued)

Call Investment Deposits

Conditional Grant	22 333 028	2 741 643
Lottery Grant	10 000	1 086 746
Bank - Nedbank 1296000028	989 973	531 550
Bank - Absa 9286080526	803 705	1 009 243
Bank - Absa 9286080055	583 565	2 144 464
Bank - FNB 62536540059	1 003 070	-
	25 723 341	**7 513 646**

Conditional Grant
First National Bank Account - Port Shepstone Branch
Account Number 62200828533 : Call Account

Bank statement balance at the beginning of the year	2 741 643	2 613 485
Bank statement balance at the end of the year	23 416 593	2 741 643
Cashbook balance at the beginning of the year	2 741 643	2 613 974
Cashbook balance at the end of the year	22 333 028	2 741 643

Lottery Grant
First National Bank Account - Port Shepstone Branch
Account Number 62200828955 : Call Account

Bank statement balance at the beginning of the year	1 086 746	1 061 068
Bank statement balance at the end of the year	10 000	1 086 746
Cashbook balance at the beginning of the year	1 086 746	1 061 068
Cashbook balance at the end of the year	10 000	1 086 746

MSIG Grant
First National Bank Account - Port Shepstone Branch
Account Number 62231035537 : Money Market

Bank statement balance at the beginning of the year	-	32 561
Cashbook balance at the beginning of the year	-	589 769

Grant
Nedbank Account - Port Shepstone Branch
Account Number 1296000028

Bank statement balance at the beginning of the year	531 550	-
Bank statement balance at the end of the year	989 973	531 550
Cashbook balance at the beginning of the year	531 550	-
Cashbook balance at the end of the year	989 973	531 550

Grant
Absa Bank Account - Port Shepstone Branch
Account Number 9286080526

Bank statement balance at the beginning of the year	1 009 243	-
Bank statement balance at the end of the year	803 545	1 009 243
Cashbook balance at the beginning of the year	1 009 243	-
Cashbook balance at the end of the year	803 705	1 009 243

Grant
Absa Bank Account - Port Shepstone Branch
Account Number 9286080055

Bank statement balance at the beginning of the year	2 144 464	-
Bank statement balance at the end of the year	583 565	2 144 464

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Cash and cash equivalents (continued)

Cashbook balance at the beginning of the year	2 144 464	-
Cashbook balance at the end of the year	583 565	2 144 463

Conditional Grant
First National Bank Account - Port Shepstone Branch
Account Number 62536540059 : Call Account

Bank statement balance at the end of the year	1 003 070	-
Cashbook balance at the end of the year	1 003 070	-

Figures in Rand	2015	2014

8. Employee benefit obligation

Long service awards		
Non-current liabilities	571 000	457 000

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2015 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2015 by One Pangaea Financial. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

The future cost for ensuing year is estimated to be R80 000 and the interest cost for the next year is estimated to be R47 000 (2014: R70 000 and R31 000 respectively).

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.51 %	8.59 %
Inflation rate	6.25 %	6.36 %
Salary increase rate	7.25 %	7.36 %
Normal retirement age	63	63
Proportion continuing membership at retirement	95 %	95 %
Proportion of retiring members who are married	95 %	95 %
Mortality during employment	SA 85-90 light	SA 85-90 light
Percentage of in-service members withdrawing before retirement:		
Age 20 - 24	12.0 %	12.0 %
Age 25 - 29	6.6 %	6.6 %
Age 30 - 34	5.1 %	5.1 %
Age 35 - 39	3.6 %	3.6 %
Age 40 - 44	2.6 %	2.6 %
Age 45 - 49	1.8 %	1.8 %
Age 50 - 54	1.1 %	1.1 %
Age 55 - 59	0.0 %	0.0 %
Age 60 -	0.0 %	0.0 %
Present value of the obligation	**571 000**	**457 000**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	457 000	434 000
Current service cost	72 000	70 000
Interest cost	39 000	31 000
Actuarial (Gain) / Loss	14 000	(63 000)
Benefits payments by Municipality	(11 000)	(15 000)
	571 000	**457 000**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	72 000	70 000
Interest cost	39 000	31 000
Expected return on assets	-	-
Actuarial (Gain) / Loss	14 000	(63 000)
	125 000	**38 000**

Disclosure in terms of par. 120A(p) of IAS 19		
Defined benefit obligation	571 000	457 000

Figures in Rand	2015	2014
Experience adjustments on plan liabilities	16 000	(29 000)

Disclosure in terms of par. 120A(q) of IAS 19		
Expected benefits to be paid during the next financial year	40 000	11 000
	40 000	**11 000**

Salary inflation sensitivity	**1% decrease**	**Base (7.50%)**	**1% increase**
Defined benefit obligation	520 000	571 000	629 000
Service cost	114 000	127 000	142 000

Post retirement pension plan

The municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation at 31 March 2013 released 13 November 2013.

Superannuation Fund

The last valuation carried out on the Superannuation Fund as at 31 March 2013 reflected:
- The memorandum account in respect of pensioners was fully funded.
- The results show that the contributions from members and the local authorities at the valuation date are .83% less than the required contribution rate for future service.
- The valuation reveals that the total fund is 97.9 funded as the valuation date at the overall level.

Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2013 reflected:
- The fund is 93.1% funded as at the valuation date at the overall level
- The latest statutory valuation of the Retirement Fund as at 31 March 2013 revealed that the fund was not in a sound financial position but with the surcharge being paid is expected to restore the Fund to a sound financial condition within the period permitted by the FSB.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2013 revealed that the fund was in a sound financial position.

9. Post Employment Medical Liability

Post retirement medical subsidy employee benefits		
Non-current liabilities	1 586 000	1 040 000

The principal actuarial assumptions used were as follows:

Discount rate per annum (D)	10.27 %	10.27 %
Consumer price inflation (C)	7.45 %	7.45 %
Health care cost inflation (H)	8.95 %	8.95 %
Salary inflation (S)	6.90 %	6.90 %
Net discount rate ((1+D)/(1+H)-1)	1.21 %	1.21 %

Normal retirement age	63	63
Fully accrued age	63	63
Early retirement age	55	55

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Employment age used for past service period	Actual service entry ages	Actual service entry ages

Age difference between spouses:		
Active employees	3 years	3 years
Pensioners	Actual ages used	Actual ages used
Proportion married:		
Active employees	Assumed proportion married	Assumed proportion married
Pensioners	Actual marital status used	Actual marital status used
Mortality:		
Active employees	SA85-90 (Normal)	SA85-90 (Normal)
Pensioners	PA (90)-2	PA (90)-2

The following proportion married assumption in the previous and current valuation periods:

Age	**Males**	**Females**
20	5 %	5 %
25	25 %	25 %
30	55 %	55 %
35	78 %	78 %
40	84 %	84 %
45	85 %	85 %
50	86 %	86 %
55	88 %	88 %
60+	92 %	92 %

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	1 040 000	1 031 000
Current service cost	167 000	175 000
Interest cost	107 000	75 000
Actuarial (Gain) / Loss	272 000	(241 000)
	1 586 000	**1 040 000**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	167 000	175 000
Interest cost	107 000	75 000
Expected return on assets	-	-
Actuarial (Gain) / Loss	272 000	(241 000)
	546 000	**9 000**

Disclosure in terms of Paragraph 120A(P)&(Q) of IAS19 and GRAP 25

Par. 120A(p) of IAS 19 requires the disclosure of the following amounts for the current annual period and previous four annual periods:

i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

ii. The experience adjustments arising on the plan liabilities and plan assets.

Par. 120A(p)	**30 June 2014**	**30 June 2015**	**30 June 2016**
Defined benefit obligation	1 040 000	1 586 000	1 930 000
Experience adjustments on plan liabilities	3 000	88 000	-

Par. 120A(q) of IAS 19 requires the disclosure of the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid during the annual period beginning after the reporting period.

The figure in the table below should be based on the pensioner contributions as at 30 June 2015, as provided by the employer, for the next financial year, increased with expected healthcare cost inflation from 1 January 2015. Since Ezinqoleni Municipality is yet to subsidise pensioners, the benefits/contributions expected over the following year are RNil.

Par. 120A(q)	**30 June 2016**
Employer contributions to be paid during the next financial year	-

Sensitivity Analysis

Health care cost inflation

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.71% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation	**1% decrease**	**Valuation basis**	**1% increase**
Employer's accrued liability	1 230 000	1 586 000	2 069 000
Employer's service cost	156 000	209 000	284 000
Employer's interest cost	105 000	135 000	176 000

The table below shows the impact of a change in the mortality assumption from PA(90) with a two year adjustment to PA(90) with a three year adjustment.

Mortality	**Valuation basis PA (90) -2**	**PA (90) -3***
Employer's accrued liability	1 586 000	1 641 000
Employer's service cost	209 000	216 000
Employer's interest cost	135 000	140 000

*PA(90)-3 (PA(90) with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the above change in the mortality assumption would result in a 3.5% increase in the accrued liability.

10. Finance lease obligation

2014

The finance lease liability is secured against vehicles with a cost price of R799 734. The leases bear interest at rates varying between prime less 1% to 18.50% per annum and are repayable over periods between 16 months and 39 months.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Figures in Rand	2015	2014

11. Payables from exchange transactions

Trade payables	127 621	230 693
Retentions	1 167 483	1 852 303
Accrued leave pay	389 642	414 066
Accrual for staff bonus	471 538	375 855
	2 156 284	**2 872 917**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Government grants and subsidies

Equitable Share	34 499 000	29 480 000
Municipal Systems Improvement Grant (MSIG)	931 668	678 578
Municipal Infrastructure Grant	13 504 729	12 881 628
Financial Management Grant	1 800 456	1 633 770
Provincialisation of libraries	562 454	412 581
Library Grant - Cyber Cadet	118 857	7 225
Small Town Rehabilitation Grant	9 105	431 777
LED Strategy Grant	72 700	-
Integrated National Electrification Programme	-	-
National Lottery Grant	688 937	336 808
Infrastructure Grant	-	2 100 000
Integrated Development Plan Grant	-	950
Maintenance Grant	117 002	66 175
Expanded Public Works Programme	1 047 581	830 780
Disaster Management Grant	27 989	-
Municipal Excellence Award	-	-
	53 380 478	**48 860 272**

Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	34 499 000	29 480 000
Conditions met – transferred to revenue	(34 499 000)	(29 480 000)
	-	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	47 006	(164 416)
Current year receipts	934 000	890 000
Conditions met – transferred to revenue	(931 668)	(678 578)
Funds returned	(47 000)	-
Conditions still to be met - transferred to liabilities	**2 338**	**47 006**

This grant is used for the improvement of systems. No funds were withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	242 315	(350 057)
Current year receipts	13 987 000	13 474 000
Funds returned	(581 786)	-
Conditions met – transferred to revenue	(13 504 729)	(12 881 628)
Conditions still to be met - transferred to liabilities	**142 800**	**242 315**

This grant was used for infrastructure programmes. No funds were withheld.

Financial Management Grant

Balance unspent at beginning of year	22 810	6 580
Current year receipts	1 800 000	1 650 000
Funds returned	(22 000)	-
Conditions met – transferred to revenue	(1 800 456)	(1 633 770)
Conditions still to be met - transferred to liabilities	**354**	**22 810**

This grant was used for financial management including improving the finance management system, purchasing computers for finance staff and capacity building for finance, for example the employment of interns. No funds were withheld.

Provincialisation of Libraries Grant

Balance unspent at beginning of year	105 952	4 533

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Current year receipts	535 000	514 000
Conditions met – transferred to revenue	(562 454)	(412 581)
Conditions still to be met - transferred to liabilities	**78 498**	**105 952**

Library Grant - Cyber Cadet		
Balance unspent at beginning of year	190 441	77 666
Current year receipts	126 000	120 000
Conditions met – transferred to revenue	(118 857)	(7 225)
Conditions still to be met - transferred to liabilities	**197 584**	**190 441**

This grant was used for the operational staff for the library such as the Cyber Cadet.

Small Town Rehabilitation Grant		
Balance unspent at beginning of year	9 105	440 882
Current year receipts	-	-
Funds returned	-	(431 777)
Conditions met – transferred to revenue	(9 105)	-
Conditions still to be met - transferred to liabilities	**-**	**9 105**

This grant was used to rehabilitate the town including the construction of a trade centre, a community park, landscaping and the installation of street lights. No funds were withheld.

LED Strategy Grant		
Balance unspent at beginning of year	104 722	104 722
Current year receipts	2 000	-
Conditions met – transferred to revenue	(72 700)	-
Conditions still to be met - transferred to liabilities	**34 022**	**104 722**

This grant was used to review Local Economic Development Strategy and align it with the district strategy. No funds were withheld.

Integrated National Electrification Programme		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions still to be met - transferred to liabilities	**-**	**-**

This grant was used to connect electricity to households with no connections. No funds were withheld.

National Lottery Grant		
Balance unspent at beginning of year	688 937	1 025 745
Current year receipts	-	-
Conditions met – transferred to revenue	(688 937)	(336 808)
Conditions still to be met - transferred to liabilities	**-**	**688 937**

Infrastructure Grant		
Balance unspent at beginning of year	-	525 000
Current year receipts	-	1 575 000
Conditions met – transferred to revenue	-	(2 100 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

This grant was used for the construction of sportsfield. No funds were withheld

Integrated Development Plan Grant		
Balance unspent at beginning of year	13	963
Current year receipts	-	-
Conditions met – transferred to revenue	-	(950)
Conditions still to be met - transferred to liabilities	**13**	**13**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

This grant was used to community participation in Integrated Development Plan. No funds were withheld

Maintenance Grant

Balance unspent at beginning of year	233 825	-
Current year receipts	-	300 000
Funds returned	(10 213)	-
Conditions met – transferred to revenue	(117 002)	(66 175)
Conditions still to be met - transferred to liabilities	**106 610**	**233 825**

This grant from the Department of Sport and Recreation was used for maintenance. No funds were withheld

Expanded Public Works Programme

Balance unspent at beginning of year	169 220	-
Current year receipts	1 053 000	1 000 000
Funds returned	(169 000)	-
Conditions met – transferred to revenue	(1 047 581)	(830 780)
Conditions still to be met - transferred to liabilities	**5 639**	**169 220**

This grant is from the Department of Public Works is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure. No funds were withheld

Disaster Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	325 821	-
Conditions met – transferred to revenue	(27 989)	-
Conditions still to be met - transferred to liabilities	**297 832**	**-**

This grant is for maintenance of a disaster truck and payment of personnel from Ugu District Municipality. No funds were withheld.

Municipal Excellence Award

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions still to be met - transferred to liabilities	**1 000 000**	**-**

This grant is for the best small performing municipality from COGTA. No funds were withheld.

Summary of unspent conditional grants and receipts

Municipal Systems Improvement Grant (MSIG)	2 338	47 006
Municipal Infrastructure Grant	142 800	242 315
Financial Management Grant	355	22 809
Provincialisation of Libraries Grant	78 498	105 953
Library Grant - Cyber Cadet	197 584	190 441
Small Town Rehabilitation Grant	-	9 106
LED Strategy Grant	34 022	104 722
National Lottery Grant	-	688 937
Integrated Development Plan Grant	13	13
Maintenance Grant	106 610	233 825
Expanded Public Works Programme	5 639	169 220
Disaster Management Grant	297 832	-
Municipal Excellence Award	1 000 000	-
	1 865 691	**1 814 347**

Figures in Rand	2015	2014

13. Property rates

Actual		
Agriculture properties used for agricultural purposes	291 190	275 598
Agricultural properties used for other business and commercial purposes	895 731	924 877
Agricultural smallholding	50 529	47 684
Communal land	50 349	47 528
Communal property association	13 271	12 527
Public service infrastructure	18 248	12 055
Residential smallholding	300 346	275 366
Rural business and commercial	478 791	451 087
State owned	461 721	368 970
Tourism and hospitality - rural	319 847	301 833
	2 880 023	2 717 525
Property rates exemptions and rebates	(722 778)	(79 824)
	2 157 245	**2 637 701**

Property Valuations		
Agriculture properties used for agricultural purposes	322 900 000	322 900 000
Agricultural properties used for other business and commercial purposes	49 300 000	49 300 000
Agricultural smallholding	22 220 000	22 220 000
Communal land	55 329 000	55 329 000
Communal property association	14 583 000	14 583 000
Municipal property	11 000	11 000
Place of worship	3 110 000	3 110 000
Public service infrastructure	8 025 000	8 025 000
Residential smallholding	16 498 000	16 498 000
Rural business and commercial	26 300 000	26 300 000
State owned	101 477 000	101 477 000
Tourism and hospitality - rural	17 574 000	17 574 000
	637 327 000	**637 327 000**

Non rateable		
Non rateable	-	-

Last general valuation		
The last general valuation came into effect on:	01/07/2012	01/07/2011

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2008.

Interim valuations are processed on an annual basis to take into account changes in individual values due to consolidations and subdivisions

Assessment rates: Randages on market valuation as follows:		
Residential	0.018205	0.017175
Residential smallholding	0.018205	0.017175
Industrial / Commercial	0.018205	0.017175
Mining	0.018205	0.017175
Agricultural - Bona fide use	0.000910	0.000859
Agricultural - Commercial only	0.018205	0.017175
Agricultural - Mixed use	0.002274	0.002146
Special purpose	0.004550	0.004293
Institutional	0.004550	0.004293
Public Service Infrastructure	0.002274	0.002146
Communal land	0.000910	0.000859
Rural business and commercial	0.018205	0.017175
Tourism and hospitality - rural	0.018205	0.017175
Vacant land	0.000910	0.000859

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Interest is levied on outstanding rates per annum at:	18 %	18 %

14. Sundry income

Included in other income is the following:		
Sale of tender documents	182 895	48 553
SCP Refund Department of Transport	279 800	234 200
Photocopies	-	608
LG SETA	21 037	29 451
Other Income	916	5 109
	484 648	**317 921**

15. Audit fees

Fees	825 663	1 088 697

During the prior year, the auditor's remuneration was paid from the Financial Management Grant and thus accounted for in Financial Grant expenditure.

16. Remuneration of councillors

Mayor	722 157	661 901
Councillors	2 570 906	2 348 395
	3 293 063	**3 010 296**

	Mayor	**Councillors**	**Total**
Basic Salary	433 288	1 516 654	1 949 942
Car allowances	161 051	537 885	698 936
Backpay	28 560	95 391	123 951
Other benefits	24 268	265 689	289 957
Company contributions	74 990	155 287	230 277
	722 157	**2 570 906**	**3 293 063**

In-kind Benefits

The Mayor is full-time and has an office and PA at the cost of the council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

17. Employee related costs

Employee related costs - salaries and wages	8 780 079	7 874 281
Contributions to UIF, medical and pension benefits	1 982 000	1 606 950
Travel, motor car, accommodation, subsistence and other allowances	440 044	762 600
Housing benefits and allowances	333 464	408 452
Leave	48 089	70 142
Bonuses	579 425	375 855
Backpay	107 978	95 150
Contributions to long service award	239 000	106 000
Post employment medical liability	146 000	245 000
	12 656 079	**11 544 430**

Remuneration of the Municipal Manager		
Annual remuneration	601 647	549 232
Car allowance	129 600	129 600
Housing allowance	103 200	103 200
Bonus	73 339	-
Backpay	23 175	20 500
Other benefits	43 653	34 845
	974 614	**837 377**

Remuneration of the Chief Finance Officer		
Annual remuneration	505 126	462 476
Car allowance	108 000	108 000
Housing allowance	84 000	84 000
Bonus	73 269	-
Backpay	19 979	17 673
Other benefits	22 081	13 135
	812 455	**685 284**

Director: Technical Services		
Annual remuneration	164 036	474 622
Car allowance	30 000	90 000
Housing allowance	38 000	114 000
Bonus	52 734	-
Backpay	15 983	17 673
Leave pay	80 154	-
Other benefits	3 600	10 800
Acting allowance	25 727	-
	410 234	**707 095**

Director: Corporate Services		
Annual remuneration	453 977	408 791
Car allowance	180 000	180 000
Housing allowance	90 000	90 000
Bonus	59 804	-
Backpay	19 979	17 673
Other benefits	25 172	10 800
	828 932	**707 264**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Operating lease

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than one year	-	19 093

Operating lease payments payable relate to the hiring of office equipment and cellphones.

Ezinqoleni Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.

19. Other expenses

Promotions	137 107	87 835
Arts and culture	91 719	38 612
Sport and recreation	475 509	269 123
Free Basic Sevices - Electricity	193 702	87 564
Free Basic Services - Paraffin	430 038	448 249
Local Economic Development	1 064 048	602 142
Tourism	100 000	63 000
Public Participation	531 371	319 025
Gravelling of Access Road	876 825	936 018
Disaster Management	85 244	40 227
Team Building	237 652	123 856
	4 223 215	**3 015 651**

20. Sundry expenses

Software licences	30 813	-
Medical examination	1 980	3 649
Staff incentive	181 395	-
Sportsfields	42 000	12 165
Vat recovery fees	179 387	188 970
Workshops	10 000	-
Awareness campaign	272 026	110 286
Sundry expense	-	100
Farm workers	2 000	-
	719 601	**315 170**

21. Cash generated from operations

Profit before taxation	14 323 620	15 933 144
Adjustments for:		
Depreciation and amortisation	10 365 312	8 929 280
Interest received	(2 583 861)	(1 860 281)
Interest paid	-	837
Impairment loss	64 890	824 525
Movements in retirement benefit assets and liabilities	114 000	23 000
Movements in unspent conditional grants and receipts	51 344	(371 744)
Changes in working capital:		
Vat receivable	(777 745)	(783 787)
Receivables from non exchange transactions	(1 318 009)	(1 053 159)
Receivables from exchange transactions	(3 823)	521 745
Payables from exchange transactions	(716 633)	(407 120)
	19 519 095	**21 756 440**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for		
Infrastructure	1 236 422	2 068 774
Community	-	2 919 479
	1 236 422	4 988 253
Approved but not yet contracted for		
Infrastructure	11 900 000	11 100 000
Community	30 800 000	10 661 000
	42 700 000	21 761 000
Total	**43 936 422**	**26 749 253**

This expenditure will be financed as follows:		
Grants	14 367 000	26 749 253
Internal funding	29 569 422	-
	43 936 422	**26 749 253**

23. Contingent assets

No contingent assets were identified for the year ended 30 June 2015 nor for the year ended 30 June 2014.

24. Contingent liabilities

There are no contingent liabilities for the year ended 30 June 2015.

2014

25. In-kind donations and assistance

The municipality did not receive any In-kind donations and assistance during the year under review.

26. Related parties

There are no related party transactions.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

27. Additional disclosure in terms of the Municipal Finance Management Act

PAYE and UIF		
Opening balance	-	-
Current year payroll deductions and municipality's contributions	2 586 814	2 286 389
Amount paid - current year	(2 586 814)	(2 286 389)
Balance unpaid (included in creditors)	**-**	**-**

Pension fund and medical aid deductions		
Opening balance	-	-
Current year deductions	1 767 559	2 166 346
Amount paid - current year	(1 767 559)	(2 166 346)
Balance unpaid (included in creditors)	**-**	**-**

Audit fees		
Opening balance	128 013	27 939
Current year's audit fee	836 809	612 394
Amount paid - current year	(947 230)	(512 320)
Balance unpaid (included in creditors)	**17 592**	**128 013**

Contributions		
Opening balance	-	-
Council subscriptions	95 678	112 272
Amount paid - current year	(95 678)	(112 272)
	-	**-**

Vat		
Vat received for the year	1 607 701	1 901 134
Vat paid for the year	-	-

All Vat returns have been submitted by the due date during the reporting period.

Councillors' arrear consumer accounts
No councillors had arrear accounts outstanding.

Material Losses
No material losses were incurred.

28. Prior year adjustments

During the year the municipality prepared its fixed asset register in compliance with GRAP. Pursuant to that exercise, the municipality identified certain assets that were not in the asset register. Corrections were also made to the backlog depreciation.

Arising from		
Newly identified assets	-	424 555

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

29. Comparison of Budget and Actual Amounts

The budget on was prepared on the accrual basis and covers the period 1 July 2014 to 30 June 2015.

Revenue	Reason for difference	Budget outcome	Actual outcome	Difference
Rental of facilities and equipment		10 000	5 028	4 972
Other income	Accrued income	365 000	484 648	(119 648)
Interest		2 516 000	2 583 861	(67 861)
Property rates		2 157 000	2 157 245	(245)
Donations received	-	-	3 008	(3 008)
Government grants and subsidies	Department late in transferring monies	54 251 000	53 380 478	870 522
		59 299 000	**58 614 268**	**684 732**

Expenditure	Reason for difference	Budget outcome	Actual outcome	Difference
Employee costs	Overprovided for leave, post medical aid benefit and long service awards provisions	13 640 000	12 674 532	965 468
Remuneration of councillors	Overbudgeted for councillors' increased annual remuneration	3 456 000	3 293 063	162 937
Debt impairment	No debt was impaired	150 000	-	150 000
Depreciation and asset impairment	Depreciation and backlog depreciation was determined by FAR consultants after year's budget was prepared	9 900 000	10 430 202	(530 202)
Finance charges	There was no interest or finance charges incurred	50 000	-	50 000
Transfers and grants		800 000	574 692	225 308
Other expenditure	Provided for accrued expenditure	19 935 000	17 197 558	2 737 442
		47 931 000	**44 170 047**	**3 760 953**

30. Comparative figures

Certain comparative figures have been restated in order to present more meaningful and appropriate comparisons.

31. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Chief Financial Officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, shortterm investment deposits and bank and cash balances

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality.

Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.
- The requirement of a deposit for new service connections, serving as guarantee
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument		
Cash and cash equivalents	40 974 123	36 624 176
Consumer debtors	2 715 911	1 397 902
Other debtors	172 982	169 159
	43 863 016	**38 191 237**

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort," handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable

32. Unauthorised expenditure

Reconciliation of unauthorised expenditure:		
Opening balance	-	-
Approved / condoned by council	-	-
	-	**-**

2015

No unauthorised expenditure was identified in the current year.

2014

The unauthorised expenditure relate to expenditure incurred that was not budgeted for, and overspending of certain conditional grants.

33. Fruitless and wasteful expenditure

No fruitless or wasteful expenditure was incurred during the year under review (2014: Nil).

34. Irregular expenditure

To the best of management's knowledge instances of note indicating that irregular expenditure was incurred during the year under review were not revealed.

Reconciliation of irregular expenditure		
Opening balance	-	-

Section 36 Deviations		
Opening balance	-	-

No irregular expenditure was identified in the current year.

35. Events after the reporting period

The annual financial statements, which were reviewed by its Audit Committee, were authorised for issue by management on 27 August 2015.

It has been proposed that Ezinqoleni Municipality will merge with the Hibiscus Coast Municipality to form a new municipality in the next financial year.

Appendix A: Schedule Of External Loans

Description	Loan Number	Interest Rate	Date Repayable/ Repaid	Balance at 30/06/2014	Received during the year	Redeemed or written off during this period	Balance at 30/06/2015
Lease Liability							
		-%		-	-	-	-
				-	**-**	**-**	**-**

Appendix B: Analysis of Property, plant and equipment

Description	Cost / Revaluation					Accumulated depreciation					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Disposals	Closing Balance	
Land											
Developed land	-	-	-	-	-	-	-	-	-	-	-
Buildings											
Buildings	47 209 315	-	-	-	47 209 315	(10 378 833)	(2 600 428)	(880 909)	-	(13 860 170)	33 349 145
Assets under construction - Buildings	3 143 959	3 030 839	-	-	6 174 798	-	-	-	-	-	6 174 798
	50 353 274	**3 030 839**	**-**	**-**	**53 384 113**	**(10 378 833)**	**(2 600 428)**	**(880 909)**	**-**	**(13 860 170)**	**39 523 943**
Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Roads	57 608 127	-	3 260 283	-	60 868 410	(27 596 914)	(6 051 990)	(43 021)	(14 818)	(33 706 744)	27 161 666
Assets under construction - Roads	4 893 202	10 725 470	(3 260 283)	-	12 358 389	-	-	-	-	-	12 358 389
	62 501 329	**10 725 470**	**-**	**-**	**73 226 799**	**(27 596 914)**	**(6 051 990)**	**(43 021)**	**(14 818)**	**(33 706 744)**	**39 520 055**
	-	-	-	-	-	-	-	-	-	-	-
Other assets											
Machinery and equipment	2 101 517	3 073 941	36 728	-	5 212 186	(1 553 176)	(168 678)	(1 727)	(39)	(1 723 620)	3 488 567
Motor vehicles	1 407 698	853 644	-	(80 536)	2 180 806	(742 634)	(204 415)	-	-	(947 049)	1 233 757
Furniture and equipment	1 913 710	64 893	3 573	-	1 982 176	(1 166 818)	(209 848)	(18 329)	(2)	(1 394 996)	587 180
Computer equipment	1 177 177	324 695	8 361	-	1 510 232	(629 772)	(176 120)	(1 861)	(6 993)	(814 745)	695 487
	6 600 102	**4 317 173**	**48 662**	**(80 536)**	**10 885 401**	**(4 092 399)**	**(759 061)**	**(21 918)**	**(7 033)**	**(4 880 410)**	**6 004 991**
	119 454 705	**18 073 482**	**48 662**	**(80 536)**	**137 496 313**	**(42 068 146)**	**(9 411 479)**	**(945 848)**	**(21 851)**	**(52 447 324)**	**85 048 989**
Intangible assets											
Software	587 190	267 966	-	-	855 156	(455 670)	(74 515)	-	-	(530 186)	324 970
Total assets	**120 041 895**	**18 341 448**	**48 662**	**(80 536)**	**138 351 468**	**(42 523 817)**	**(9 485 994)**	**(945 848)**	**(21 851)**	**(52 977 509)**	**85 373 959**

Appendix B: Analysis of Property, plant and equipment

30 June 2014	Cost / Revaluation						Accumulated depreciation					
Description	**Opening Balance**	**Prior year adjustment**	**Additions**	**Newly identified assets at fair value**	**Transfers**	**Closing Balance**	**Opening Balance**	**Depreciation**	**Impairment**	**Disposals**	**Closing Balance**	**Carrying Value**
Land												
Developed land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings												
Buildings	47 195 321	13 994	-	-	-	47 209 315	(7 849 332)	(2 529 501)	-	-	(10 378 833)	36 830 482
Assets under construction - Buildings	135 028	3 008 931	-	-	-	3 143 959	-	-	-	-	-	3 143 959
	47 330 349	**3 022 925**	**-**	**-**	**-**	**50 353 274**	**(7 849 332)**	**(2 529 501)**	**-**	**-**	**(10 378 833)**	**39 974 441**
Infrastructure												
Infrastructure - Roads	49 870 988	-	-	(976 462)	8 798 046	57 692 573	(22 690 600)	(5 634 768)	-	644 008	(27 681 360)	30 011 212
Assets under construction - Roads	2 456 006	11 235 242	-	-	(8 798 046)	4 893 202	-	-	-	-	-	4 893 202
	52 326 995	**11 235 242**	**-**	**(976 462)**	**-**	**62 585 775**	**(22 690 600)**	**(5 634 768)**	**-**	**644 008**	**(27 681 360)**	**34 904 415**
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets												
Machinery and equipment	1 966 503	137 943	-	(1 729)	-	2 102 717	(1 370 409)	(183 967)	-	-	(1 554 376)	548 342
Motor vehicles	1 409 871	353 089	-	-	-	1 762 960	(961 230)	(136 666)	-	-	(1 097 896)	665 064
Furniture and office equipment	1 944 063	109 374	-	(139 726)	-	1 913 710	(933 385)	(233 433)	-	-	(1 166 818)	746 892
Computer equipment	906 842	279 332	-	(8 997)	-	1 177 177	(498 230)	(131 542)	-	-	(629 772)	547 405
	6 227 279	**879 738**	**-**	**(150 452)**	**-**	**6 956 564**	**(3 763 253)**	**(685 608)**	**-**	**-**	**(4 448 861)**	**2 507 703**
	105 884 622	**15 137 905**	**-**	**(1 126 914)**	**-**	**119 895 613**	**(34 303 185)**	**(8 849 877)**	**-**	**644 008**	**(42 509 054)**	**77 386 559**
Intangible assets												
Computer software	524 016	63 174	-	-	-	587 190	(403 741)	(51 929)	-	-	(455 670)	131 520
Total assets	**106 408 638**	**-**	**-**	**-**	**-**	**120 482 803**	**(34 706 926)**	**(8 901 807)**	**-**	**644 008**	**(42 964 725)**	**77 518 078**

Appendix D: Segmental Statement of Financial Performance

	2015			2014		
	Actual Revenue	**Actual Expenditure**	**Surplus / (Deficit)**	**Actual Revenue**	**Actual Expenditure**	**Surplus / (Deficit)**
Executive & Council	1 013 702	6 605 587	(5 591 885)	3 611 000	1 183 589	2 427 411
Financial Services	41 386 351	18 844 414	22 541 938	6 257 000	3 985 881	2 271 119
Corporate Services	49 026	14 113 759	(14 064 732)	24 800 630	19 261 607	5 539 023
Technical Services	16 044 587	4 606 287	11 438 300	19 404 090	13 689 450	5 714 640
	58 493 667	**44 170 046**	**14 323 621**	**54 072 720**	**38 120 527**	**15 952 193**

Statement Of Budget Information versus Actual (Revenue And Expenditure)

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expendituree	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Final Budget	Explanation of significant Variance greater than 10% versus Final Budget
Financial Performance									
Property rates	3 100 000	(943 000)	2 157 000	2 157 245	-	(245)	100.01 %	69.59 %	
Rental of Facilities	15 000	(5 000)	10 000	5 028	-	4 972	50.28 %	33.52 %	
Investment revenue	1 702 000	489 000	2 191 000	2 218 889	-	(27 889)	101.27 %	130.37 %	
Investment on outstanding Debtors	55 000	270 000	325 000	364 972	-	(39 972)	112.30 %	663.59 %	
Transfers recognised - operational	39 097 000	167 000	39 264 000	39 186 812	-	77 188	99.80 %	100.23 %	
Total Revenue (excluding capital transfers & contributions	**58 256 000**	**1 043 000**	**59 299 000**	**58 614 269**	**-**	**(108 603)**	**98.85 %**	**100.61 %**	
Employee costs	13 435 000	205 000	13 640 000	12 674 532	-	965 468	92.92 %	94.34 %	
Remuneration of councillors	3 176 000	280 000	3 456 000	3 293 063	-	162 937	95.29 %	103.69 %	
Debt impairment	150 000	-	150 000	-	-	150 000	- %	- %	
Depreciation & asset impairment	9 900 000	-	9 900 000	10 430 202	-	(530 202)	105.36 %	105.36 %	Depreciation and backlog depreciation was determined by FAR consultants after year's budget was prepared
Finance charges	50 000	-	50 000	-	-	50 000	- %	- %	
Transfers and Grants	775 000	25 000	800 000	574 692	-	225 308	71.84 %	74.15 %	
Other Expenditure	17 275 000	2 660 000	19 935 000	17 197 558	-	2 737 442	86.27 %	99.55 %	
	-	-	-	-	-	-	- %	- %	
Total Expenditure	**44 761 000**	**(1 056 000)**	**47 931 000**	**44 170 047**	**-**	**3 760 953**	**92.15 %**	**98.68 %**	
Surplus/(Deficit)	13 495 000	2 099 000	11 368 000	14 444 222	-	(3 869 556)	127.06 %	107.03 %	
Transfers recognised - capital	-	-	-	-	-	-	- %	- %	
	-	**-**	**-**	**-**	**-**	**-**	**- %**	**- %**	
Capital expenditure & funds sources									
Public contributions & donations	-	-	-	-	-	-	- %	- %	
Borrowing	-	-	-	-	-	-	- %	- %	
Internally generated funds	2 551 000	2 849 000	5 400 000	-	(5 400 000)	5 400 000	- %	- %	
Total sources of capital funds	**16 538 000**	**3 849 000**	**20 387 000**	**-**	**(20 387 000)**	**20 387 000**	**- %**	**- %**	

Actual versus Budget (Acquisition of Property, plant and equipment)

	Actual	Under Construction	Total Additions	Budget	Variance	Variance %	Explanation of Significant Variances
Executive & Council	335 192	-	335 192	1 150 000	(814 808)	(70.85)%	
Financial Services	217 074	-	217 074	400 000	(182 926)	(45.73)%	
Corporate Services	692 732	-	692 732	800 000	(107 268)	(0.13)%	
Technical Services	3 541 824	13 756 309	17 298 133	18 037 000	(738 867)	(4.10)%	
	4 786 822	**13 756 309**	**18 543 131**	**20 387 000**	**(1 843 869)**	**(9.04)%**	

Appendix F: Grants and Subsidies received
Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of Grant	Quarterly Receipts Jul to Sep	Oct to Dec	Jan to Mar	Apr to Jun	Total Receipts
Interim Integrated Development Plan	-	-	-	-	-
Municipal Systems Improvement Grant	934 000	-	-	-	934 000
Management Assistance Programme	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	5 000 000	5 900 000	727 000	2 360 000	13 987 000
National Lottery Grant	-	-	-	-	-
Financial Management Grant	1 800 000	-	-	-	1 800 000
Town Planning	-	-	-	-	-
Library	535 000	-	-	-	535 000
LED Strategy	-	-	-	2 000	2 000
Library Grant-Cyber Cadet	126 000	-	-	-	126 000
Municipal Excellence Award Grant	-	-	1 000 000	-	1 000 000
EPWP Grant	421 000	316 000	316 000	-	1 053 000
Community Participation IDP	-	-	-	-	-
Maintenance Grant	-	-	-	-	-
Disaster Management Grant	-	325 821	-	-	325 821
Infrastructure Grant	-	-	-	-	-
	8 816 000	**6 541 821**	**2 043 000**	**2 362 000**	**19 762 821**

Name of Grant	Quarterly Expenditure Jul to Sep	Oct to Dec	Jan to Mar	Apr to Jun	Total Expenditure
Interim Integrated Development Plan	-	-	-	-	-
Municipal Systems Improvement Grant	107 710	96 629	301 100	473 230	978 668
Management Assistance Programme	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	1 621 009	4 379 460	5 439 120	2 646 925	14 086 514
National Lottery Grant	-	-	534 797	154 140	688 937
Financial Management Grant	190 236	148 654	615 195	868 364	1 822 449
Town Planning	-	-	-	9 106	9 106
Library	145 946	103 971	126 682	185 855	562 454
LED Strategy	10 896	32 682	37 192	38 087	118 857
Municipal Excellence Award Grant	-	-	-	-	-
EPWP Grant	213 447	448 267	309 857	245 010	1 216 581
Community Participation IDP	-	-	-	-	-
Maintenance Grant	31 041	30 841	34 693	30 641	127 215
Disaster Management Grant	-	-	-	27 989	27 989
Infrastructure Grant	-	-	-	-	-
	2 320 285	**5 240 504**	**7 398 637**	**4 752 045**	**19 711 471**

Ezinqoleni Municipality
Annual Financial Statements for the year ended 30 June 2015

Grants and Subsidies received
Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of Grant	Name of organ of state or municipal entity	Unspent portion 2012/2013 financial statements	Total Receipts	Total Expenditure	Overspent portion shown as Receivables	Unspent portion 2013/2014 financial statements	Grants and Subsidies delayed / withheld	Reason for delay or withholding of funds	Complied with grant conditions?	Reason for non-compliance
Interim Integrated Development Plan	Trade and Local Government Affairs	-	-	-	-	-	No	N/A	Yes	N/A
Municipal Systems Improvement Grant	Trade and Local Government Affairs	46 996	934 000	978 668	-	2 328	No	N/A	Yes	N/A
Management Assistance Programme	Trade and Local Government Affairs	-	-	-	-	-	No	N/A	Yes	N/A
Municipal Infrastructure Grant (MIG)	Trade and Local Government Affairs	242 315	13 987 000	14 086 514	-	142 801	No	N/A	Yes	N/A
National Lottery Grant	National Lottery	688 937	-	688 937	-	(0)	No	N/A	Yes	N/A
Financial Management Grant	National Treasury	22 809	1 800 000	1 822 449	-	360	No	N/A	Yes	N/A
Town Planning	Trade and Local Government Affairs	9 106	-	9 106	-	-	No	N/A	Yes	N/A
Library	KZN Dept of Art and Culture	105 952	535 000	562 454	-	78 498	No	N/A	Yes	N/A
LED Strategy	COGTA	104 722	2 000	72 700	-	34 022	No	N/A	Yes	N/A
Library Grant-Cyber Cadet	KZN Dept of Art and Culture	190 441	126 000	118 857	-	197 584	No	N/A	Yes	N/A
Municipal Excellence Award Grant	KZN COGTA	-	1 000 000	-	-	1 000 000	No	N/A	Yes	N/A
EPWP Grant	COGTA	169 220	1 053 000	1 216 581	-	5 639	No	N/A	Yes	N/A
Community Participation IDP	KZN COGTA	13	-	-	-	13	No	No	N/A	N/A
Maintenance Grant	KZN Dept of Sport and Recreation	233 825	-	127 215	-	106 610	No	No	N/A	N/A
Maintenance Grant	Ugu District Municipality	-	325 821	27 989	-	297 832	No	No	N/A	N/A
Infrastructure Grant	KZN Dept of Sport & Recreation	0	-	-	-	0	No	No	N/A	N/A
		1 814 336	**19 762 821**	**19 711 471**	**-**	**1 865 687**				